



Department of Energy

Grand Junction Projects Office
Post Office Box 2567
Grand Junction, Colorado 81502-2567

December 30, 1991

Certified No. 25481

Mr. George G. Warnock
Todilto Exploration and Development Corporation
311 Washington Street, SE
Albuquerque, NM 87108

SUBJECT: Mining Lease AT(05-1)-ML-60.8-NM-B-1

Dear Mr. Warnock:

By letter dated October 25, 1991, you were advised by the Department of Energy (DOE) that:

- 1) Pursuant to Article XV, entitled "Performance Bond," the amount of the bond currently provided is inadequate to protect the DOE should your company fail to perform the required environmental reclamation activities upon termination of the lease and that the performance bond requirement was being increased to \$200,000.
- 2) Pursuant to Article VI, entitled "Minimum Royalty," as provided in Amendment A002, the minimum royalty payments for 1988, 1989, 1990 and 1991 had not been paid and no request for waiver had been submitted by you pursuant to Article VI, and that \$40,000 for the unpaid royalties were due the DOE.

To date, your letter dated November 11, 1991 is the only correspondence received and neither the increased bond requirement nor the payment of past due royalties was provided in your letter.

Therefore, it is hereby determined that you are in breach of Articles XV and VI of the lease, thereby justifying cancellation, effective immediately, of the lease pursuant to Article XXIV, entitled "Cancellation of Lease," of the lease.

Pursuant to Article XXVI, entitled "Delivery of Premises," you are hereby directed to surrender the leased premises in its present condition without removing any timbers, improvements or any security or safety measures previously installed.

Further, pursuant to Article XXVII, you are advised that the DOE reserves the right to have access to, and examine any and all directly pertinent books, documents, papers and records involving transactions related to the subject lease.

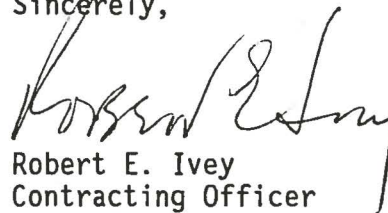
Mr. George G. Warnock

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Pursuant to Article XXX, entitled "Disputes," of the lease, this written decision shall be the final and conclusive determination of the Contracting Officer unless within thirty (30) days from the date you receive this decision, you mail or otherwise furnish to me a written appeal that is addressed to the Energy Board of Contract Appeals. Enclosed is a copy of 10 CFR Part 703, entitled "Contract Appeals" which outlines the appeal procedure should you elect to appeal this determination. Your attention is directed to subparts 703.12 (Organization and location of Board); 703.101 (Appeals, how taken); and, 703.102 (Notice of appeal, contents of).

Sincerely,

A handwritten signature in dark ink, appearing to read "Robert E. Ivey", is written over the typed name and title.

Robert E. Ivey
Contracting Officer

Enclosures

cc: C. Freytag, Geotech
R. Bornstein, EPA
M. Olsen, DOE-ID, MS-1209
Hartford Accident & Indemnity Co.